



# Sales Tax Newsletter

## News and developments

A publication of the Sales and Special Taxes Division

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Tax Commissioner

## Special Edition

### CITY AND COUNTY CAPS ARE ELIMINATED

**Beginning October 1, 2005, caps will no longer apply when retailers collect city and county sales and use taxes on sales transactions.** For those cities that do not impose a cap on sales transactions, this *Special Edition* will not apply.

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Because the cap will not apply, retailers will collect the full amount of the city or county sales and use tax on all sales transactions within their taxing jurisdiction on or after October 1.

Example: Sale of jewelry to a customer by a Bismarck retailer having a selling price of \$4,000.

#### Prior to October 1, 2005

Sale Price	\$ 4,000
State Tax (5%)	\$ 200
Bismarck City	
Sales Tax (1%)	\$ 25*
Total	\$ 4,225

#### Effective October 1, 2005

Sale Price	\$ 4,000
State Tax (5%)	\$ 200
Bismarck City	
Sales Tax (1%)	\$ 40
Total	\$ 4,240

\* City Tax capped at \$25.00

The **customer** may apply to the Tax Commissioner for a refund of local tax in excess of the cap for sales transactions occurring on or after October 1, 2005. The amount of local sales and use tax that may be refunded is the difference between the amount of the city and county sales and use tax paid, and the amount that would have been due by the previous application of the cap. In the example above, the customer will be able to apply for a refund of \$15.00.

- The 1% city sales tax equals \$40.
- The cap imposed by the city is \$25.
- The refund available is \$15 (\$40.00 total less \$25.00).

### Customer Refund Instructions

To request the refund, the customer will complete a *Claim for Refund of City or County Sales and Use Tax Transmittal* form, which requires a listing of invoices on which the local sales and use tax was paid. This completed form is directed by the customer to the State Tax Commissioner along with the original invoices.

All refunds will be processed by the Tax Commissioner's office and the original invoices will be returned to the customer.



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**Businesses not holding an active North Dakota sales and use tax permit will use the Claim for Refund of City or County Sales and Use Tax Transmittal form to request this refund.**

Enclosed with this *Special Edition* Newsletter is a copy of the *Claim for Refund of City or County Sales and Use Tax Transmittal* form. You may make copies of this form for use by your customers, or you may obtain copies from the Office of State Tax Commissioner, Sales & Withholding Tax Section at (701) 328-3470, or by e-mail at [salestax@state.nd.us](mailto:salestax@state.nd.us), or from the Tax Department's web site at [www.ndtaxdepartment.gov](http://www.ndtaxdepartment.gov). Retailers may also request additional copies that they can provide to their customers, as needed.

### **Credit Option for Businesses**

For businesses holding an active North Dakota sales and use tax permit and purchasing tangible personal property or taxable services *for their own use* on which local sales and use tax was imposed, an alternative is available in lieu of filing the *Claim for Refund of City or County Sales and Use Tax Transmittal* form

Businesses that hold an active North Dakota sales and use tax permit and file periodic sales and use tax reports with the State Tax Commissioner may deduct the amount of the city or county sales and use tax that would qualify for refund directly on their sales and use tax return. The amount of the city or county sales and use tax qualifying for refund may be deducted from the appropriate city tax account in Column C (*Total Local Option Tax*).

- For example, ABC Hardware purchases office equipment and fixtures for use in the Bismarck store. The total purchase price of these items was \$7,800. (Bismarck previously provided for a cap on local sales and use tax of \$25.00.)
  - A 1% Bismarck city sales tax totals \$78.00.
  - The eligible credit or refund is \$53 (\$78-\$25).
  - The business customer may apply the credit of \$53.00 on its sales tax return, or request a refund from the Tax Department using the Claim for Refund of City or County Sales and Use Tax Transmittal form.

To claim the credit on its sales tax report, ABC Hardware deducts the \$53.00 credit from the local tax it would report for Bismarck in Column C of the local tax information. If the \$53 credit is more than the Bismarck city tax due, a negative value will be reported for Bismarck. In this example, if the Bismarck city tax due before the credit was \$33, the net value of -\$20 would be reported for Bismarck city tax in Column C.

Businesses not holding an active North Dakota sales and use tax permit will use the *Claim for Refund of City or County Sales and Use Tax Transmittal* form to request this refund.

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### **TAXPAYER ASSISTANCE**

If you have questions regarding sales tax or about correspondence received from our office, the following information will be helpful in ensuring that your call or visit to our office is completed in a speedy and efficient manner:

- If you have general sales tax questions, please call our Sales Tax Compliance Section at (701) 328-3470.

This newsletter is available free of charge on our Web site at [www.ndtaxdepartment.gov](http://www.ndtaxdepartment.gov) or in hard copy. We offer an e-mail notification service to subscribers as soon as a new issue is placed on our Web site. To join the e-mail service, simply visit our Web site and click on "Newsletter Subscription" located in the top blue bar at the right side of our home page.